

TOWN OF CLARESHOLM

Consolidated Financial Statements

For the year ended December 31, 2016

TOWN OF CLARESHOLM
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For the year ended December 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Claresholm

We have audited the accompanying consolidated financial statements of the Town of Claresholm which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Claresholm as at December 31, 2016 and the results of its operations, changes in its net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta

April 24, 2017

A handwritten signature in cursive script that reads "Avail LLP".

Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Claresholm.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Finance and Administration and General Services committees.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Avail LLP has full and free access to the Council.



Chief Administrative Officer

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	2016	2015
Financial assets		
Cash and temporary investments (note 2)	\$ 8,106,070	\$ 3,476,744
Taxes and grants in place of taxes receivable (note 3)	211,673	216,890
Trade and other receivables (note 4)	690,555	646,535
Land held for resale	145,486	150,688
	9,153,784	4,490,857
Liabilities		
Accounts payable and accrued liabilities	356,849	190,839
Employee benefit obligations (note 6)	241,365	203,209
Deposits	15,417	25,217
Deferred revenue (note 7)	4,989,802	944,444
Long-term debt (note 8)	4,621,314	4,987,006
	10,224,747	6,350,715
Net financial debt	(1,070,963)	(1,859,858)
Non-financial assets		
Prepaid expenses	27,586	20,513
Inventory for consumption	265,074	215,222
Tangible capital assets (schedule 2)	26,579,364	24,904,115
	26,872,024	25,139,850
Accumulated surplus (note 9)	\$ 25,801,061	\$ 23,279,992

Commitments and contingencies (note 21)

Approved on behalf of Council:


Councillor


Councillor

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Revenue			
Net municipal taxes (note 12)	\$ 3,114,221	\$ 3,084,230	\$ 3,033,872
User fees and sales of goods	2,005,450	2,090,090	2,059,875
Family and community support services	240,041	255,345	230,835
Government transfers for operating (note 13)	221,776	206,798	220,592
Other	110,251	162,031	193,436
Franchise and concession contracts	153,748	145,195	142,027
Rental	119,001	130,336	127,654
Penalties and costs of taxes	89,500	80,734	84,182
Investment income	45,744	73,582	49,134
Licenses and permits	37,800	56,142	39,594
Gain on disposal of capital assets	-	3,108	4,335
	6,137,532	6,287,591	6,185,536
Expenses (note 14)			
Legislative	112,000	85,936	104,377
Administration	1,096,935	1,072,170	945,874
Fire	117,553	106,505	163,773
Bylaw enforcement	135,892	133,052	142,592
Common and equipment pool	540,123	481,680	500,627
Roads, streets, walks and lighting	827,482	678,793	768,876
Airport	18,291	17,263	24,509
Storm sewers and drainage	147,356	140,691	129,948
Water supply and distribution	2,025,564	1,841,179	1,963,321
Wastewater treatment and disposal	621,028	529,774	542,536
Solid waste management	518,546	559,269	547,945
Family and community support services	236,556	243,981	223,512
Day care	64,511	64,511	62,151
Cemeteries and crematoriums	49,452	19,008	24,783
Other public health and welfare	34,500	32,134	14,104
Planning and development	356,100	296,549	202,650
Parks and recreation	877,916	896,387	859,441
Culture - libraries, museums and halls	367,799	360,311	336,872
	8,147,604	7,559,193	7,557,891
Deficiency of revenue over expenses before other	(2,010,072)	(1,271,602)	(1,372,355)
Other			
Government transfers for capital (note 13)	4,199,051	998,561	511,228
Contributed assets	-	2,794,110	-
	4,199,051	3,792,671	511,228
Excess (deficiency) of revenue over expenses	2,188,979	2,521,069	(861,127)
Accumulated surplus, beginning of year	23,279,992	23,279,992	24,141,118
Accumulated surplus, end of year	\$ 25,468,971	\$ 25,801,061	\$ 23,279,992

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
For the year ended December 31, 2016

	Budget (Unaudited)	2016	2015
Excess (deficiency) of revenue over expenses	\$ 2,188,979	\$ 2,521,069	\$ (861,127)
Acquisition of tangible capital assets	(4,745,399)	(1,101,104)	(868,763)
Amortization of tangible capital assets	2,385,830	2,193,070	2,385,830
Contributed assets	-	(2,794,110)	-
Gain on disposal of tangible capital assets	-	(3,107)	(4,336)
Proceeds on disposal of tangible capital assets	-	30,000	38,100
	(2,359,569)	(1,675,251)	1,550,831
Net change in inventory for consumption	-	(49,850)	13,115
Net change in prepaid expense	-	(7,073)	(2,743)
	-	(56,923)	10,372
Increase (decrease) in net financial debt	(170,590)	788,895	700,076
Net financial debt, beginning of year	(1,859,858)	(1,859,858)	(2,559,934)
Net financial debt, end of year	\$ (2,030,448)	\$ (1,070,963)	\$ (1,859,858)

TOWN OF CLARESHOLM
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2016

	2016	2015
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ 2,521,069	\$ (861,127)
Adjustments for items which do not affect cash		
Gain on disposal of tangible capital assets	(3,107)	(4,336)
Amortization of tangible capital assets	2,193,070	2,385,830
Contributed assets	(2,794,110)	-
	1,916,922	1,520,367
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	5,217	115,242
Trade and other receivables	(44,020)	105,190
Land held for resale	5,202	-
Inventory for consumption	(49,850)	13,115
Prepaid expenses	(7,073)	(2,743)
Accounts payable and accrued liabilities	166,010	6,412
Employee benefit obligations	38,156	(12,863)
Deposits	(9,800)	(12,185)
Deferred revenue	4,045,358	65,242
Cash provided by operating transactions	6,066,122	1,797,777
Capital transactions		
Proceeds on disposal of tangible capital assets	30,000	38,100
Acquisition of tangible capital assets	(1,101,104)	(868,763)
Cash applied to capital transactions	(1,071,104)	(830,663)
Financing transactions		
Repayment of long-term debt	(365,692)	(354,676)
Increase in cash and temporary investments	4,629,326	612,438
Cash and temporary investments, beginning of year	3,476,744	2,864,306
Cash and temporary investments, end of year	\$ 8,106,070	\$ 3,476,744

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies

The consolidated financial statements of the Town of Claresholm are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies, continued

(e) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(f) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(i) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(j) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

1. Significant accounting policies, continued

(k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Debt for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized over the estimated useful life as follows:

	Years
Land improvements	10-25 straight line
Buildings	25-50 straight line
Engineered structures	5-75 declining balance
Machinery and equipment	5-40 declining balance
Vehicles	10-25 declining balance

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

2. Cash and temporary investments

	2016	2015
Cash	\$ 338,891	\$ 283,541
Temporary investments	7,767,179	3,193,203
	<u>\$ 8,106,070</u>	<u>\$ 3,476,744</u>

Included in cash and short-term investments is \$15,417 (2015- \$25,217) of deposit liability funds which are not available for current purposes.

Temporary investments consist of one to eight month term deposits with varying interest rates of 0.40% to 1.90% if held to maturity.

3. Taxes and grants in place of taxes receivables

	2016	2015
Current year	\$ 116,661	\$ 139,468
Arrears	95,012	77,422
	<u>\$ 211,673</u>	<u>\$ 216,890</u>

4. Trade and other receivables

	2016	2015
Trade accounts	\$ 311,856	\$ 323,952
Due from provincial government	175,928	89,936
Local improvement levies	115,143	143,846
Due from local governments	38,206	39,955
GST receivable	49,422	48,846
	<u>\$ 690,555</u>	<u>\$ 646,535</u>

5. Temporary Loans

A temporary loan has been authorized by Alberta Treasury Branches to a maximum of \$450,000 which bears interest at prime.

Security pledged on this loan includes a general security agreement. As at December 31, 2016 there was no balance outstanding on the loan.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

6. Employee benefit obligations

	2016	2015
Vacation	\$ 161,986	\$ 123,986
Sick time	79,379	79,223
	<u>\$ 241,365</u>	<u>\$ 203,209</u>

Vacation and sick time

The employee benefit obligations liability is comprised of the vacation and sick time that employees are deferring to future years. Employees have either earned the benefits (and they are vested) or are entitled to these benefits within the next budgetary year.

7. Deferred revenue

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2016	2015
Alberta Community Resilience Program	\$ 2,179,831	\$ -
MSI/BMTG capital grants	1,765,793	484,202
Alberta Community Partnership	350,000	-
Disaster Recovery Program	282,627	-
Sundry trust	247,255	343,404
Offsite levies	63,876	63,384
Community Facility Enhancement Program	42,500	-
Subdivision fund	36,941	36,667
Taxi token prepayments	6,730	5,403
Family and Community Support Services	5,697	5,697
Parking fund	3,715	3,684
Parks Society	2,818	-
Walking path fund	2,019	2,003
	<u>\$ 4,989,802</u>	<u>\$ 944,444</u>

8. Long-term debt

	2016	2015
Utility supported debentures	\$ 3,708,544	\$ 3,878,549
Tax supported debentures	512,770	608,457
Southcal Development Inc.	400,000	500,000
	<u>\$ 4,621,314</u>	<u>\$ 4,987,006</u>
Current portion	<u>\$ 377,246</u>	<u>\$ 365,692</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

8. Long-term debt, continued

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 377,246	\$ 207,093	\$ 584,339
2018	389,365	194,974	584,339
2019	402,079	182,260	584,339
2020	415,418	292,543	707,961
2021	329,417	158,737	488,154
Thereafter	2,707,789	923,800	3,631,589
	<u>\$ 4,621,314</u>	<u>\$ 1,959,407</u>	<u>\$ 6,580,721</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.306% to 5.875% per annum, before Provincial subsidy, and matures in periods 2021 through 2033. The average annual interest rate is 4.47% (4.92% for 2015). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Claresholm at large.

The promissory note payable to Southcal Development Inc. in the amount of \$400,000 is payable at \$100,000 per year at 0% interest and is due in 2020. Upon completion of the project \$120,000 is due within 30 days.

Interest on long-term debt amounted to \$217,344 (2015 - \$228,428). The Town's total cash payments for interest in 2016 were \$218,647 (2015 - \$229,664).

9. Accumulated surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2016	2015
Unrestricted surplus	\$ 1,651,348	\$ 1,651,348
Internally restricted surplus (reserves) (note 11)	2,191,663	1,711,535
Equity in tangible capital assets (note 10)	21,958,050	19,917,109
	<u>\$ 25,801,061</u>	<u>\$ 23,279,992</u>

10. Equity in tangible capital assets

	2016	2015
Tangible capital assets (schedule 2)	\$ 88,427,661	\$ 84,829,834
Accumulated amortization (schedule 2)	(61,848,297)	(59,925,719)
Long-term debt (note 8)	(4,621,314)	(4,987,006)
	<u>\$ 21,958,050</u>	<u>\$ 19,917,109</u>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

11. Reserves

Reserves for operating and capital activities are as follows:

	2016	2015
Operating		
General	\$ 216,063	\$ 216,063
Debt reduction	192,453	192,453
Physician recruitment fund	54,170	51,804
Trust accounts	51,358	51,358
Economic development	42,000	30,000
Office	28,780	28,780
Garbage equipment	38,709	25,739
Sewer main replacement	24,005	35,000
Waterworks	15,000	15,000
Fill dirt	11,427	11,427
Family and Community Support Services	11,365	-
Museum	10,000	-
Fire truck	8,819	8,819
Arena renovation	8,500	8,500
Tipping fees	5,449	5,449
Water pumps	2,500	2,500
Waterline replacement	1,910	1,910
Cemetery	723	723
Ball diamonds	245	245
	723,476	685,770
Capital		
General	385,588	392,988
Water and sewer	246,129	-
Multi-use Community Building	199,001	150,000
Arena ice slab/boards	154,135	154,135
Fire truck	100,000	100,000
Parks and pathways	100,000	-
Water supply	44,663	44,663
Acreage assessment	40,721	40,721
Curling rink roof replacement	39,238	-
Residential land sales	26,584	26,584
Town land	25,163	25,163
Tamarack subdivision	25,149	25,149
Playground rehabilitation	25,000	-
Airport land sales	20,677	20,677
Enforcement vehicle	14,500	14,500
Tax recovery land	11,854	11,854
Subdivision	8,510	8,510
Museum	1,155	10,701
Industrial land sales	120	120
	1,468,187	1,025,765
	\$ 2,191,663	\$ 1,711,535

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

12. Net municipal property taxes

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	\$ 4,078,695	\$ 4,094,726	\$ 4,017,767
Linear property taxes	114,299	108,223	112,591
Government grants in place of property taxes	48,842	41,558	48,113
Special assessments and local improvements	70,813	43,327	50,138
	4,312,649	4,287,834	4,228,609
Requisitions			
Alberta School Foundation Fund	1,086,911	1,092,087	1,086,911
Porcupine Hills Lodge	111,517	111,517	107,826
	1,198,428	1,203,604	1,194,737
	\$ 3,114,221	\$ 3,084,230	\$ 3,033,872

13. Government transfers

	Budget (Unaudited)	2016	2015
Transfers for operating:			
Provincial government	\$ 148,276	\$ 137,415	\$ 181,288
Other local governments	73,500	69,383	39,304
	221,776	206,798	220,592
Transfers for capital:			
Provincial government	3,906,036	912,878	385,588
Federal government	293,015	85,683	125,640
	4,199,051	998,561	511,228
	\$ 4,420,827	\$ 1,205,359	\$ 731,820

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

14. Expenses by object

	Budget (Unaudited)	2016	2015
Salaries, wages and benefits	\$ 2,697,822	\$ 2,604,414	\$ 2,450,073
Contracted and general services	1,157,839	1,108,677	1,104,937
Materials, goods, supplies and utilities	1,273,885	1,032,474	1,008,136
Purchases from other governments	306,161	305,331	258,848
Interest on long-term debt	229,530	217,344	228,428
Other expenditures	67,152	69,404	90,852
Transfers to organizations and others	27,885	27,809	27,058
Bank charges and short-term interest	1,500	670	858
Provision for allowances	-	-	2,871
Amortization of tangible capital assets	2,385,830	2,193,070	2,385,830
	\$ 8,147,604	\$ 7,559,193	\$ 7,557,891

15. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1) Salary	(2) Benefits & allowances	2016	2015
Council				
Mayor Steel	\$ 12,507	\$ 1,452	\$ 13,959	\$ 13,930
Councillor Cutler	12,576	64	12,640	13,550
Councillor Dixon	8,039	64	8,103	9,661
Councillor Fieguth	10,355	64	10,419	10,362
Councillor Ford	11,198	424	11,622	12,301
Councillor McAlonan	11,528	224	11,752	12,024
Councillor O'Neill	11,505	64	11,569	12,333
Chief Administrative Officer	114,519	22,128	136,647	122,178
Designated Officers (2016: 6 positions, 2015: 7 positions)	\$ 310,524	\$ 74,403	\$ 384,927	\$ 363,658

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

16. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	2016	2015
Total debt limit	\$ 9,431,387	\$ 9,278,304
Total debt	4,621,314	4,987,006
	\$ 4,810,073	\$ 4,291,298
Debt servicing limit	\$ 1,571,898	\$ 1,546,384
Debt servicing	584,339	584,339
	\$ 987,559	\$ 962,045

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

17. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 244,000 people and 426 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$171,337 (2015 - \$186,272). Total current service contributions by the employees of the Town to the LAPP in 2016 were \$187,079 (2015 - \$170,875).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

18. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, and accrued liabilities, employee benefit obligations, deposit and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

19. Approval of financial statements

These financial statements were approved by Council and Management.

20. Budget amounts

The 2016 budget for the Town was approved by Council on March 29, 2016 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements		\$ 2,188,979
Less:	Capital expenses	(4,745,399)
	Long-term debt repayments	(379,058)
Add:	Amortization	2,385,830
	Transfers from reserves	138,796
	Proceeds from long-term debt	360,000
	Transfer from sundry trust	20,852
	Club contributions	30,000
<hr/> Equals: Balanced budget		<hr/> \$ - <hr/>

TOWN OF CLARESHOLM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

21. Commitments and contingencies

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town has made a commitment to the Municipal District of Willow Creek to pay for one half of the costs for monitoring and maintenance of the Municipal District of Willow Creek's landfill for the next 5 years.

The Town of Claresholm has entered an agreement with the Town of Granum for the conveyance and supply of potable water. This agreement is in effect until December 31, 2034.

The Town has entered into a contract with Ossa Terra Ltd. in the amount of \$2,467,000 for Phase 1 of the storm water project. The contract is expected to be completed within the next year and will be funded through MSI capital grants, Disaster Recovery Program funding and the Alberta Community Resilience Program .

22. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2016 (2015 - nil) as a result of this standard.

23. Comparative figures

The comparative figures have been retroactively restated to reflect a decrease in accounts receivable and deferred revenue in the amount of \$107,069 relating to the Federal Gas Tax Fund allocation. The effect on accumulated surplus is nil.

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of changes in accumulated surplus

Schedule 1

	Unrestricted	Restricted	Equity in tangible capital assets	2016	2015
Balance, beginning of year	\$ 1,651,348	\$ 1,711,535	\$ 19,917,109	\$ 23,279,992	\$ 24,141,119
of revenue over expenses	2,521,069	-	-	2,521,069	(861,127)
Unrestricted funds					
designated for future use	(516,469)	516,469	-	-	-
Restricted funds used for					
tangible capital assets	-	(36,341)	36,341	-	-
Current year funds used for					
tangible capital assets	(1,064,762)	-	1,064,762	-	-
Contributed tangible capital					
assets	(2,794,110)	-	2,794,110	-	-
Disposal of tangible capital					
assets	26,894	-	(26,894)	-	-
Amortization of tangible					
capital assets	2,193,070	-	(2,193,070)	-	-
Long term debt repaid	(365,692)	-	365,692	-	-
Change in accumulated surplus	-	480,128	2,040,941	2,521,069	(861,127)
Balance, end of year	\$ 1,651,348	\$ 2,191,663	\$ 21,958,050	\$ 25,801,061	\$ 23,279,992

TOWN OF CLARESHOLM
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
Cost:									
Balance, beginning of year\$	990,764	\$ 1,577,638	\$ 11,837,654	\$ 66,013,380	\$ 1,618,916	\$ 1,298,560	\$ 1,492,921	\$ 84,829,834	\$ 83,998,588
Acquisitions	182,280	-	2,649,694	142,662	407,664	-	512,913	3,895,213	868,762
Transfers	-	-	22,599	38,372	105,285	-	(166,256)	-	-
Disposals	-	-	-	-	(175,100)	(122,286)	-	(297,386)	(37,516)
Balance, end of year	1,173,044	1,577,638	14,509,947	66,194,414	1,956,765	1,176,274	1,839,578	88,427,661	84,829,834
Accumulated amortization:									
Balance, beginning of year	-	465,013	5,560,236	51,980,915	951,340	968,216	-	59,925,720	57,543,642
Annual amortization	-	84,024	263,445	1,654,626	117,819	73,157	-	2,193,071	2,385,828
Disposals	-	-	-	-	(150,890)	(119,604)	-	(270,494)	(3,751)
Balance, end of year	-	549,037	5,823,681	53,635,541	918,269	921,769	-	61,848,297	59,925,719
Net book value	\$ 1,173,044	\$ 1,028,601	\$ 8,686,266	\$ 12,558,873	\$ 1,038,496	\$ 254,505	\$ 1,839,578	\$ 26,579,364	\$ 24,904,115
2015 net book value	\$ 990,764	\$ 1,112,625	\$ 6,277,418	\$ 14,032,465	\$ 667,576	\$ 330,344	\$ 1,492,921	\$ 24,904,113	

TOWN OF CLARESHOLM
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal taxes	\$ 3,040,903	\$ -	\$ 43,327	\$ -	\$ -	\$ -	\$ -	\$ 3,084,230
User fees and sales of goods	4,488	15,145	-	1,923,071	14,450	9,235	123,701	2,090,090
Family and community support services	-	-	-	-	255,345	-	-	255,345
Government transfers for operating	110,915	6,883	-	-	37,500	1,500	50,000	206,798
Other	33,394	-	-	45,174	-	-	83,463	162,031
Franchise and concession contracts	145,195	-	-	-	-	-	-	145,195
Rental	33,923	-	9,010	-	-	-	87,403	130,336
Penalties and costs of taxes	47,791	32,943	-	-	-	-	-	80,734
Investment income	73,582	-	-	-	-	-	-	73,582
Licenses and permits	31,200	-	-	-	-	24,942	-	56,142
Gain on disposal of capital assets	-	-	3,108	-	-	-	-	3,108
	3,521,391	54,971	55,445	1,968,245	307,295	35,677	344,567	6,287,591
Expenses								
Salaries, wages and benefits	588,298	90,076	365,329	673,780	177,974	150,394	558,563	2,604,414
Contracted and general services	381,337	81,007	317,426	229,812	38,405	1,816	58,874	1,108,677
Materials, goods, supplies and utilities	67,321	45,921	265,472	335,786	78,484	61,344	178,146	1,032,474
Purchases from other governments	71,170	-	-	-	64,511	-	169,650	305,331
Interest on long-term debt	-	-	-	203,958	-	-	13,386	217,344
Other expenditures	13,481	-	-	-	260	55,663	-	69,404
Transfers to organizations and others	-	-	-	-	-	-	27,809	27,809
Bank charges and short-term interest	670	-	-	-	-	-	-	670
Amortization of tangible capital assets	35,827	22,553	370,200	1,486,886	-	27,333	250,271	2,193,070
	1,158,104	239,557	1,318,427	2,930,222	359,634	296,550	1,256,699	7,559,193
Excess (deficiency) of revenue over expenses before other	2,363,287	(184,586)	(1,262,982)	(961,977)	(52,339)	(260,873)	(912,132)	(1,271,602)
Other								
Government transfers for capital	31,900	75,686	-	871,098	-	-	19,877	998,561
Contributed assets	2,794,110	-	-	-	-	-	-	2,794,110
	2,826,010	75,686	-	871,098	-	-	19,877	3,792,671
Excess (deficiency) of revenue over expenses	\$ 5,189,297	\$ (108,900)	\$ (1,262,982)	\$ (90,879)	\$ (52,339)	\$ (260,873)	\$ (892,255)	\$ 2,521,069